

INDEPENDENT ENERGY PRODUCERS

Comments of the Independent Energy Producers Association

To the Little Hoover Commission

Regarding

The Governor's Proposal To Reorganize California's Energy Agencies

Presented by

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The Independent Energy Producers Association (IEP) is pleased to comment on the Governor's proposal to reorganize the state's energy agencies and functions.¹ Over the past 20 years, IEP's member companies have invested billions of dollars in California's energy infrastructure. Collectively, the independent power industry represents over 20,000 MWs of installed energy capacity in California, including the bulk of the existing renewable energy resources. We want to continue this important role in the future.

IEP agrees strongly with the overarching premise of the Governor's proposal that it is time to create an organizational structure that will facilitate a more comprehensive approach for energy policy development, reduce regulatory uncertainty, and attract necessary infrastructure investment. This is probably the greatest, single challenge facing state policymakers today. The lack of regulatory certainty has all too often served as the major impediment to attracting private sector capital to California for building needed energy infrastructure.

¹ "A Vision for California's Energy Future" submitted to the Little Hoover Commission May 2005.

Openness and transparency in the development of the state's energy policy, clarity in the articulation of that energy policy, and consistency in the implementation of that policy are critical as California faces an uncertain energy future. One challenge for the Cal-DOE structure is ensuring that statewide policies, e.g. resource adequacy and the renewable portfolio standard (RPS), apply across all load serving entities throughout the state. The Vision for California's Energy Future, as articulated in the Governor's proposal to create a California Department of Energy (Cal-DOE), should help achieve these goals.

The proposed consolidation of the energy generation and transmission facility siting into a new, unified Division within the Cal-DOE will help ensure that a comprehensive review of any such proposal will occur in an integrated manner from a statewide perspective. Currently, the review and approval for necessary generation and transmission infrastructure investment is not conducted in an integrated manner, as the functions are addressed in separate entities (i.e. the CEC and CPUC, respectively). Furthermore, at least as regards transmission, the CPUC often is unable to evaluate transmission proposals from a statewide perspective: they are confined to reviews in the context of their impact on the ratepayers of their jurisdictional entities, the investor-owned utilities. The proposed integration of the siting of generation and transmission infrastructure in a

single entity within the Cal-DOE will ensure that the appropriate regulatory reviews will be conducted from a statewide perspective.

We do have one important cautionary remark related to the Governor's proposal. Presently, the CEC has authority over the siting of thermal generators 50MWs or greater. In this exhaustive review, the CEC renders its final decision based on the evidentiary record before the full commission. To date, no CEC decisions have been overturned through litigation due to the thoroughness of the evaluation and its adherence to the prescriptions of the Warren-Alquist Act. Any re-organization of the review and approval functions for the siting of thermal generation (as well as transmission) must be consistent with the prescriptions of the Warren-Alquist Act so as to minimize the likelihood of litigation and delay in infrastructure investment. Importantly, the approval process in place under the re-organization must result in an administratively determined, legally defensible Final Decision as prescribed by law.

If the Cal-DOE is implemented as envisioned by the Governor, if the state's system of procurement becomes truly open, transparent, and competitive procurement; and, if a statewide approach is applied to such critical matters as transmission and generation siting, resource adequacy, and RPS implementation; then, the independent power industry will continue its critical role of providing

low-cost, energy efficient generation technologies for the benefit of California's consumers. The independent power industry revolutionized the application of clean, highly efficient gas-fired turbines. We invested billions of capital in biomass, geothermal, solar and wind technologies over the past 20 years. We anticipate that the proposed energy agency re-organization will accelerate this trend to the significant benefit of California's consumers served by a reliable and environmentally responsible electricity market.

We appreciate this opportunity to provide comments and welcome any questions.

Respectfully submitted,



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